

ICC Docket No. 06-0800
Auction Manager's Response to
Staff's (RP) Data Requests 1.01 - 1.04
Dated: April 13, 2007

REQUEST NO. RP 1.04:

In Auction Manager Exhibit 2.0, lines 708-718, Dr. LaCasse describes an amendment to Staff's TNW proposal that makes providing a TNW calculation and corresponding citations optional for suppliers; alternatively, if a supplier chooses to not provide a TNW calculation, then the Auction Manager team would calculate the supplier's TNW and provide references to the financial statements that support its calculation for the credit and application team. Please answer the following questions regarding this proposed amendment to Staff's TNW proposal:

- A. How does this amendment provide an incentive for applicants to provide the TNW information (Auction Manager Exhibit 2.0, line 719)?
- B. How does this amendment provide an incentive for applicants to submit accurate information (Auction Manager Exhibit 2.0, lines 719-720)?
- C. How does this amendment increase the likelihood those applicants that do provide this information will do so accurately (Auction Manager Exhibit 2.0, lines 722-724)?
- D. Does Dr. LaCasse agree that during the 2006 Illinois Auction application review process, the Auction Manager team provided an estimate of each applicant's TNW to the credit and application team?
- E. Does Dr. LaCasse agree that during the 2006 Illinois Auction application review process, the credit and application team rejected the Auction Manager team's calculation of TNW for one or more applicants?
- F. Please provide the curriculum vitae of all members of the Auction Manager team that Dr. LaCasse believes possess sufficient expertise to accurately compile the components of TNW from an applicant's financial reports.
- G. Does Dr. LaCasse agree that applicants prepare their own financial reports? If the answer is no, please identify the professions or entities that generally prepare the financial reports that the part 1 application requires.
- H. Please identify any members of the Auction Manager team that have prepared financial reports for companies in accordance with the Securities and Exchange Commission regulations. Additionally, please identify each team member that has prepared such reports and the entity for which the reports were prepared.

OFFICIAL FILE

ILL. C. C. DOCKET NO. 06-0800
ICC Staff
Cross Exhibit No. 11
Witness _____
Date 4/25/07 Reporter CB

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RESPONSE:

Part A.

This amendment provides an incentive to provide the TNW information because doing so gives the applicant an opportunity to provide information that will be considered by the credit application team in coming to its own determination of the TNW, and because the applicant is assured to receive an explanation of the TNW determination by the credit and application team if it differs from its own calculation. Not providing the TNW information means that the applicant must accept the TNW determination of the credit and application team. This amendment provides an incentive to provide the TNW information because there is a benefit to doing so.

See Auction Manager Exhibit 2.0, lines 709-718.

Part B.

All applicants have an incentive to provide truthful information: an officer of the applicant must certify that the information in the application provided is true and the applicant is subject to forfeiture of its pre-auction security for a misrepresentation in the Part 1 or Part 2 Application.

However, insufficient care in preparing the Part 1 Application can lead to information being missing, inaccurate or inconsistent, and can lead to a deficiency notice. The amendment proposed by Dr. LaCasse means that the applicants are not obligated to provide the TNW information. Applicants that volunteer information are more likely to exercise care in preparing the information because they are responding to the benefit they see in having an opportunity to provide information that will be considered by the credit application team in coming to its own determination of the TNW. These applicants are then more likely to provide this information in a way that is complete and accurate, and in a way that will not lead to a deficiency notice.

Part C.

Under Ms. Phipps initial proposal, all applicants are obligated to submit the TNW information, including a TNW calculation and citations to financial statements. Some applicants can be expected, for a variety of reasons, not to exercise all necessary care in preparing their applications. Dr. LaCasse believes that this will result in a lower likelihood of applicants providing the TNW information accurately, i.e., a lower likelihood that applicants will provide information that is complete, consistent, and accurate in its calculation, in a way that avoids a deficiency notice.

Under the amendment, applicants may volunteer to provide the TNW information. As stated in Part B, applicants that volunteer information are more likely to exercise care in preparing the

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information. Dr. LaCasse believes that this will result in a high likelihood of applicants that do provide the TNW information doing so accurately, i.e., a high likelihood that applicants will provide information that is complete, consistent, and accurate in its calculation, in a way that avoids a deficiency notice. The amendment thus increases the likelihood that an applicant that provides this information will do so accurately.

Part D.

It would be typical for the Auction Manager team to provide the rest of the credit and application team with a document in which had been transcribed portions of the application information, including total assets, intangible assets, and total liabilities from the quarterly financial statements. This document would yield a preliminary and unchecked calculation of the TNW that would be used to jumpstart the meeting of the credit and application team, of which a member of the Auction Manager team is a part.

Dr. LaCasse did not attend the meeting and cannot confirm that this information was provided to all members of the credit and application team.

Part E.

It would be inappropriate to characterize changes to a preliminary and unchecked calculation, if one was provided to the credit application team, as a "correction". Such changes would be a typical result of the meeting of the credit and application team. Dr. LaCasse cannot agree or disagree that such changes occurred for the 2006 Illinois Auction as she did not attend the meeting.

Dr. LaCasse regrets if, as the question implies, providing a calculation of TNW that was preliminary and unchecked created more problems than it solved. Dr. LaCasse notes that her amendment proposes a new procedure for the 2008 Auction where the Auction Manager team would be tasked with providing a TNW calculation that would be documented and checked.

Part F.

Find attached the curriculum vitae of Gene Meehan, Kurt Strunk, and Thomas Wininger. RP-AM 1.04_Attach 1 - 3.

Part G.

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Dr. LaCasse is uncertain what is meant by "the applicants prepare their own financial reports". Dr. LaCasse agrees that personnel at the applicant with specialized accounting skill and knowledge prepare the applicant's financial reports, which are then reviewed by an independent auditor. Dr. LaCasse disagrees that the personnel of the applicant that prepares the Part 1 Application would typically be the same personnel that prepare the applicant's financial reports.

Part H.

None.

Witness who can testify subject to appropriate, in-scope cross examination: Chantale LaCasse

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EUGENE T. MEEHAN SENIOR VICE PRESIDENT

Mr. Meehan is a Senior Vice President at NERA. He has over thirty years of experience consulting with electric and gas utilities and has testified as an expert witness before numerous state and federal regulatory agencies, as well as appeared in federal court and arbitration proceedings.

At NERA, Mr. Meehan's practice concentrates on serving energy industry clients, with a focus on helping clients manage the transition from regulatory to more competitive environments. He has performed consulting assignments for over fifty large electric, gas, and combination utilities in the areas of retail access, regulatory strategy, strategic planning, financial and economic analysis, merger and acquisition advisory services, power contract analysis, market power and market definition, stranded cost analysis, power pooling, power markets and risk management, ISO and PX development, and costing and pricing. In addition, he has advised numerous utilities on power procurement issues and administered power procurements on behalf of utilities and regulators.

Mr. Meehan has experience leading NERA's advisory work on several major restructuring and unbundling assignments. These assignments were multi-year projects that involved integration of regulatory and business strategy, as well as development of regulatory filings associated with the recovery of stranded cost and rate unbundling.

Education

New York University, Graduate School of Business
Completed core courses for the doctoral program

Boston College
BA, *cum laude*, Economics

Professional Experience

1999-	NERA Economic Consulting Senior Vice President
1996-1999	Vice President
1973-1980	Senior Economic Analyst; Research Assistant
1994-1996	Deloitte & Touche Consulting Group Principal
1980-1994	Energy Management Associates, Inc. Vice President

Areas of Expertise

Restructuring/Stranded Cost Recovery

Mr. Meehan has directed several multi-year projects associated with restructuring and stranded cost recovery. These projects involved facilitating the development of an integrated regulatory and business strategy and formulating regulatory filings to accomplish strategy. As part of these assignments, Mr. Meehan facilitated sessions with senior management to set and track filing strategy. Clients include Public Service Gas & Electric and Baltimore Gas and Electric.

Unbundling/Generation Pricing

Mr. Meehan has formulated unbundling strategies, with a specialization in generation pricing. He has advised several utilities in standard offer pricing and has testified on shopping credits on behalf of First Energy and Baltimore Gas and Electric.

Power Procurement

Mr. Meehan has been involved in power procurement activities for a variety of utilities and regulatory agencies. He has advised utilities in developing and implementing evaluation processes for new generation, with the objective of achieving the best portfolio evaluation. He has helped regulators in Ireland and Canada design and implement portfolio evaluation processes. He has testified before FERC and state regulatory agencies on competitive power

procurement. In addition, Mr. Meehan helped to design and implement the New Jersey BGS auction process.

Power Contracts

Mr. Meehan has extensive experience with power contracts and power contract issues. He has reviewed and testified on the three principal types of power contracts: integrated utility to integrated utility contracts, IPP to utility contract, and integrated or wholesale utility to distribution utility contracts. He has testified in power contracts disputes on behalf of Carolina Power and Light, Duke Power Company, Southern Company, Orange and Rockland Utilities, and Tucson Electric Power. He has also advised Oglethorpe Power Corporation in the reform of its wholesale contracts with its distributor cooperative members.

Retail and Wholesale Settlements

In addition to his expertise on power pooling issues, Mr. Meehan has significant experience with assignments related to the settlement process. He has focused on the issues of credit management as new entrants appear in retail and wholesale markets and has designed efficient specifications for retail settlement systems, including the use of load profiling, and examined the risk and cost allocation issues of alternative settlement systems.

Risk Management

Mr. Meehan has advised several large utilities on price risk management. These assignments have included evaluation of price management service offers solicited from power marketers in association with management of assets and entitlements, as well as provision of price managed service for various terms.

Marginal Costs

Mr. Meehan has provided comprehensive marginal cost analyses for over 25 North American Utilities. These assignments required detailed knowledge of utility operations and planning.

Power Supply and Transmission Planning

Mr. Meehan has advised electric utilities on economic evaluations of generation and transmission expansion. He has testified on the economics of particular investments, the prudence of planning processes, and the prudence of particular investment decisions.

Generation Strategy

Mr. Meehan has led NERA efforts on a client task force charged with developing an integrated generation asset/power marketing strategy.

Power Pooling

Mr. Meehan has in-depth working knowledge of the operating, accounting, and settlement processes of all United States power pools and representative international power pools. He has provided consulting services for New York Power Pool members on a continuous basis since 1980, advising the Pool and its members on production cost modeling, transmission expansion, competitive bidding and reliability, and marginal generating capacity cost quantification. In NEPOOL, he has quantified the benefits of continued utility membership in the Pool and the impact of the Pool settlement process on marginal cost. He has worked with a major PJM utility to explore the impact of PJM restructuring proposals upon generating asset valuation and examine the implications of alternative restructuring proposals. He has consulted for Central and Southwest Corporation, Entergy, and Southern Company on issues that involved the internal pooling arrangements of the utility operating companies of those holding companies, as well as for various utilities on the impact of pooling arrangements on strategic alternatives.

Representative Assignments

Worked with Public Service Electric & Gas Company (PSE&G) to direct a three year NERA advisory effort on restructuring. Facilitated a two-day senior management meeting to set regulatory strategy in 1997. Throughout 1997 and 1998, worked over half time at PSE&G to help implement that strategy and advised on testimony preparation, cross-examination, and briefing. Also advised PSE&G on business issues related to securitization, energy settlement and credit requirements for third party suppliers. During 1999, advised PSE&G during settlement negotiations and litigation of the settlement. PSE&G achieved a restructuring outcome that involved continued ownership of generation by an affiliate and the securitization of \$2.5 billion in stranded costs.

Worked on separate assignments for a large utility in the Northeast and a large utility in the Southeast, advising on the evaluation of risk management offers from power marketers. The assignments included reviewing proposals, attending interviews with marketers and providing advice on these, and the developing analytical software to evaluate offers.

Worked with government of Ontario beginning in 2004 to help design the RFP and economic evaluation process for the solicitation of 2500 Mw of new generating capacity. Supervising NERA's portfolio-based economic evaluation on behalf of the Ontario Ministry of Energy.

Testified on behalf of Pacific Gas & Electric Company before the FERC in a case benchmarking the PSA between the distribution utility and a soon-to-be-created generating company. This effort involved developing detailed expertise in applying the Edgar standard and a detailed review of DWR procurement during the western power crisis. In addition, this effort involved the review of more than 100 power contracts in the WECC.

Directed NERA's efforts, on behalf of the electricity regulator in Ireland, to design an RFP and implementation process for the purchase of 500 Mw of new generating capacity in 2003. NERA advised on the RFP, the portfolio evaluation method, and the power contract and also conducted the economic evaluation.

Reviewed the economic evaluation conducted by Southern Company Service for affiliated operating companies in connection with an RFP for over 2000 Mw of new generating capacity. Submitted testimony before FERC on behalf of Southern Company Service.

Worked with Baltimore Gas and Electric (BG&E) to conduct a one and one-half year consulting assignment that involved providing restructuring advice. The project began in March/April 1998 with senior management discussions and workshops on plan development and filing strategy. Advised BG&E in the development of testimony, rebuttal testimony, and public information dissemination. Worked to review and coordinate testimony from all witnesses and offered testimony on shopping credits and in defense of the case settlement. BG&E achieved a restructuring outcome enabling it to retain generation ownership. As part of this assignment, advised BG&E on generation valuation and unregulated generation business strategy.

Directed the efforts of a large Southeastern utility to develop a short-term power contract portfolio and to evaluate the relative value of power options, forwards, and unit contracts to determine the optimal mix of instruments to manage price risk.

Testified for XCEL Energy on the use of competitive bids for new generation needs. Examined whether XCEL was prudent not to explore a self-build plan and the reasonableness of relying on ten-year or shorter contracts as opposed to life-of-facility contracts, in order to meet needs and facilitate a possible future transition to competition. This project addressed the comparability of fixed bids to rate base plant additions.

Advised and testified on behalf of First Energy in the Ohio restructuring proceeding on the issues of generation unbundling and stranded cost. Defended the First Energy shopping credit proposal.

Advised Consolidated Edison and Northeast Utilities on merger issues and testified in Connecticut and New Hampshire merger proceedings. Testimony focused on retail competition in gas and electric commodity markets.

Directed NERA's effort to train selected representatives of a major European power company in American power marketing and risk management practices. The project involved numerous meetings and interviews with power marketing firms.

Led NERA's effort to advise the New England ISO on the development of an RTO filing. Examined performance-based ratemaking for transmission and market operator functions.

Examined ERCOT power market conditions during the period of time from 1997 to 1999 and testified on behalf of Texas New Mexico Power Company for the prudence of its power purchase activity.

Advised a Midwestern utility on restructuring of a wholesale contract with an affiliate. Involved forecasting of the unbundled wholesale cost-of-service and market prices, as well as development of a regulatory strategy for gaining approval of contract restructuring and the transfer of generation from regulated to EWG states.

Performed market price forecasts for numerous utility clients. These forecasts have employed both traditional modeling and newly developed statistical approaches.

Examined the credit issues associated with the entry of new entities into retail and wholesale settlement market. These assignments involved a review of current Pool credit procedures, examination of commodity and security trading credit requirements, coordination with financial institutions, and recommendations concerning credit exposure monitoring, credit evaluation processes, and credit requirements.

Oversight of EMA's consulting and software team in designing and implementing the LOLP capacity payment, a portion of the UK wholesale settlement system.

Advised Oglethorpe Power Corporation in the reform of its contracts with its distribution cooperative members and the evolution of full requirement power wholesale power contracts into contracts that preserve Oglethorpe's financial integrity and are suitable for a competitive environment.

Developed long run marginal and avoided costs of natural gas service, as well as avoided cost methods and procedures. These costs have been used primarily for the analysis of gas DSM opportunities. Clients include Consolidated Edison Company, Southern California Edison Company, Niagara Mohawk Power Corporation, and Elizabethtown Gas Company.

Review of power contracts and testimony in numerous power contract disputes.

Development of long run avoided costs of electricity service and avoided cost methods and procedures. These costs have been used to assess DSM and cogeneration, as well as to develop integrated resource plans. Clients include Public Service Company of Oklahoma, Central Maine Power Company, Duquesne Light Company, and the New York investor-owned utilities.

Advised Central Maine Power Company (CMP) on the development of a competitive bidding framework. This framework was implemented in 1984 and was the first of its kind in the nation. CMP adopted the framework outlined in EMA's report and won prompt regulatory approval.

Advised a utility in the development of an incentive ratemaking plan for a new nuclear facility. This assignment involved strategic analysis of alternate proposals and quantification of the financial impact of various ratemaking alternatives. Presented strategic and financial results in order to convince senior management to initiate negotiations for the incentive plan.

Advised and testified on behalf of the New York Power Pool utilities on the methodology for measuring pool marginal capacity costs. This work included development of the methodology and implementation of the system for quantifying LOLP-based marginal capacity costs.

Provided testimony on behalf of the investor-owned electric utilities in New York State, concerning the proper methodology to use when analyzing the cost-effectiveness of conservation programs. This methodology was adopted by the Commission and used as the basis for DSM evaluation in New York from 1982 through 1988.

Developed the functional design of a retail access settlement system and business processes for a major PJM combination utility. This design is being used to construct a software system and develop business procedures that will be used for retail settlements beginning January 1999.

Reviewed the power pool operating and interchange accounting procedure of the New York Power Pool, the Pennsylvania, New Jersey, Maryland Interconnection, Allegheny Power System, Southern Company, and the New England Power Pool as part of various consulting assignments and in connection with the development of production simulation software.

Summarized and analyzed the operational NEPOOL to examine the feasibility of incorporating NEPOOL interchange impacts with Central Maine and accounting procedure of the New England Power Pool Power Company's buy-back tariffs.

Developed and presented a two-day seminar delivered to electric industry participants in the UK (prior to privatization), outlining the structure and operation of power pools and bulk power market transactions in North America.

Benchmark analysis and FERC testimony of PGE's proposed twelve-year contract between PG&E and Electric Gen LLC (contract value in excess of \$15 billion).

Responsible for NERA's overall efforts in advising New Jersey's Electric Distribution Companies on the structuring and conduct of the Basic Generation Service auctions (the 2002 auction involved \$3.5 billion, and the 2003 and 2004 auctions involved over \$4.0 billion).

Testimony

Forums

Arkansas Public Service Commission

Federal Energy Regulatory Commission

Florida Public Service Commission

Maine Public Utilities Commission

Minnesota Public Service Commission

Nevada Public Service Commission

New York Public Service Commission

Nuclear Regulatory Commission – Atomic Safety and Licensing Board

Oklahoma Public Service Commission

Public Service Commission of Indiana

Public Utilities Commission of Ohio

Public Utilities Commission of Nevada

Public Utilities Commission of Texas

Public Utilities Commission of New Hampshire

United States District Court

United States Senate Committee on Energy and Natural Resources

Various arbitration proceedings

Clients

Arkansas Power & Light Company

Baltimore Gas & Electric

Carolina Power & Light Company

Central Maine Power

Consolidated Edison Company of New York, Inc.

Dayton Power and Light Company

Florida Coordinating Group

Houston Lighting & Power Company

Minnesota Power and Light Company

Nevada Power Company

Niagara Mohawk Power Corporation

Northern Indiana Public Service Company

Oglethorpe Power Corporation

Pacific Gas and Electric Company

Power Authority of the State of New York

Public Service and Electric Company

Public Service Company of Oklahoma

Sierra Pacific Power Company

Southern Company Services, Inc.

Tucson Electric Power Company

Texas-New Mexico Power Company

Recent Expert Testimony and Expert Reports

Supplemental Testimony on behalf of Texas-New Mexico Power Company, Docket No. 15660, September 5, 1996.

Direct Testimony on behalf of Long Island Lighting Company before the Federal Energy Regulatory Commission, September 29, 1997.

Rebuttal Testimony on behalf of Texas-New Mexico Power Company, SOAH Docket No. 473-97-1561, PUC Docket No. 17751, March 2, 1998.

Prepared Testimony and deposition testimony on behalf of Central Maine Power Company, United States District Court Southern District of New York, 98-civ-8162 (JSM), March 5, 1999.

Prepared Direct Testimony Before the Public Service Commission of Maryland on behalf of Baltimore Gas & Electric Company, PSC Case Nos. 8794/8804, June 1999.

Rebuttal Testimony Before the Maryland Public Service Commission, on behalf of Baltimore Gas & Electric Company, PSC Case Nos. 8794/8804, March 22, 1999.

NORCON Power Partners LP v. Niagara Mohawk Energy Marketing, before the United States District Court, Southern District of New York, June 1999.

Prepared Supplemental Testimony Before the Maryland Public Service Commission, on behalf of Baltimore Gas & Electric Company, PSC Case Nos. 8794/8804, July 23, 1999.

Prepared Supplemental Reply Testimony Before the Maryland Public Service Commission, on behalf of Baltimore Gas & Electric Company, PSC Case Nos. 8794/8804, August 3, 1999.

Direct Testimony on behalf of Niagara Mohawk, Before the New York State Public Service Commission, PSC Case No. 99-E-0681, September 3, 1999.

Rebuttal Testimony on behalf of Niagara Mohawk, PSC Case No. 99-E-0681 Before the New York State Public Service Commission, November 10, 1999.

Arbitration deposition on behalf of Oglethorpe Power Corporation, last quarter of 1999.

Direct Testimony Before the Public Utilities Commission of Ohio on behalf of FirstEnergy Corporation, Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company, Case No. 99-1212-EL-ETP re: Shopping Credits.

Direct Testimony on behalf of Niagara Mohawk, Before the New York State Public Service Commission, PSC Case No. 99-E-0990, February 25, 2000.

Testimony on behalf of Consolidated Edison Company of New York, Inc., State of Connecticut, Department of Public Utility Control, Docket No.: 00-01-11, April 28, 2000 and June 30, 2000.

Testimony on behalf of Texas-New Mexico Power Company, Fuel Reconciliation Proceeding before the Texas PUC, June 30, 2000.

Testimony on behalf of Consolidated Edison Company of New York, Inc., Before the New Hampshire Public Service Commission, Docket No.: DE 00-009, June 30, 2000.

Rebuttal Testimony Before the Public Utilities Commission of the State of Colorado, Docket No. 99A-549E, November 22, 2000.

Testimony Before the Public Utilities Commission of the State of Colorado, Docket No. 99A-549E, January 19, 2001.

DETM Management, Inc. Duke Energy Services Canada Ltd., And DTMSI Management Ltd., Claimants vs. Mobil Natural Gas Inc., And Mobil Canada Products, Ltd., Respondents. American Arbitration Association Cause No. 50 T 198 00485 00, August 27, 2001.

State of New Jersey Board of Public Utilities, In the Matter of the Provision of Basic Generation Service Pursuant to the Electric Discount and Energy Competition Act of 1999, Before President Connie O. Hughes, Commissioner Carol Murphy on Behalf of the Electric Distribution Companies (Public Service Electric and Gas Company, GPU Energy, Consolidate Edison Company and Conectiv) Docket No.: EX01050303, October 4, 2001.

Direct Testimony Before the Federal Energy Regulatory Commission on behalf of Pacific Gas and Electric Company, Docket No.: ER02-456-000, November 30, 2001.

Fourth Branch Associates/Mechanicville vs. Niagara Mohawk Power Corporation, January 2002 (Expert Report).

Arbitration Deposition on behalf of Oglethorpe Power Corporation, March 2002.

Direct Testimony and Deposition Testimony Before the Federal Energy Regulatory Commission on behalf of Electric Generation LLC in Response to June 12 Commission Order, Docket No.: ER02-456-000, July 16, 2002.

Rebuttal Testimony Before the Federal Energy Regulatory Commission on behalf of Electric Generation LLC in Response to June 12 Commission Order, Docket No.: ER02-456-000, August 13, 2002.

Direct Testimony Before the Public Utilities Commission of Nevada on behalf of Nevada Power Company, in the matter of the Application of Nevada Power Company to Reduce Fuel and Purchased Power Rates, PUCN Docket No. 02-11021, November 8, 2002 and subsequent Deposition Testimony.

Direct Testimony Before the Public Utilities Commission of Nevada on behalf of Sierra Pacific Power Company's Deferred Energy Case, Docket No. 03-1014, January 10, 2003.

Direct Testimony Before the Public Utility Commission Of Texas on behalf of Texas-New Mexico Power Company, Application Of Texas-New Mexico Power Company For Reconciliation Of Fuel Costs, April 1, 2003.

Rebuttal Testimony Before the Public Utilities Commission of Nevada on behalf of Nevada Power Company, PUCN Docket No. 02-11021, April 1, 2003.

Rebuttal Testimony Before the Public Utilities Commission of Nevada on behalf of Sierra Pacific Power Company, Docket No. 03-1014, May 5, 2003.

Testimony on behalf of Consolidated Edison Company of New York, Inc., Before the Public Service Commission of New York, Case No.: 00-E-0612, September 19, 2003.

State of New Jersey Board of Public Utilities, In the Matter of the Provision of Basic Generation Service Pursuant to the Electric Discount and Energy Competition Act of 1999, Before President Connie O. Hughes, Commissioner Carol Murphy on Behalf of the Electric Distribution Companies (Public Service Electric and Gas Company, GPU Energy, Consolidate Edison Company and Conectiv), September 2003.

Direct Testimony Before the Public Utilities Commission of Nevada on behalf of Nevada Power Company's Deferred Energy Case, November 12, 2003.

Direct Testimony Before the Public Utilities Commission of Nevada on behalf of Sierra Pacific Power Company's Deferred Energy Case, January 12, 2004.

Rebuttal Testimony Before the Public Utilities Commission of Nevada on behalf of Sierra Pacific Power Company's Deferred Energy Case, May 28, 2004.

Direct Testimony on behalf of Texas-New Mexico Power Company, First Choice Power Inc. and Texas Generating Company LP to Finalize Stranded Cost under PURA § 39.262, January 22, 2004.

Rebuttal Testimony on behalf of Texas-New Mexico Power Company, First Choice Power Inc. and Texas Generating Company LP to Finalize Stranded Cost under PURA § 39.262, April, 2004.

State of New Jersey Board of Public Utilities, In the Matter of the Provision of Basic Generation Service Pursuant to the Electric Discount and Energy Competition Act of 1999, Before President Connie O. Hughes, Commissioner Carol Murphy on Behalf of the Electric Distribution Companies (Public Service Electric and Gas Company, GPU Energy, Consolidate Edison Company and Conectiv), September 2004.

Direct Testimony Before the Public Utilities Commission of Nevada on behalf of Nevada Power Company's Deferred Energy Case, November 9, 2004.

Direct Testimony Before the Public Utilities Commission of Nevada on behalf of Sierra Pacific Power Company's Deferred Energy Case, January 7, 2005.

Expert Report on behalf of Oglethorpe Power Corporation, March 23, 2005.

Arbitration deposition on behalf of Oglethorpe Power Corporation, April 1, 2005.

Direct Testimony Before the Public Utilities Commission of Nevada on behalf of Sierra Pacific Power Company's December 2005 Deferred Energy Case.

Direct Testimony Before the Public Utilities Commission of Nevada on behalf of Nevada Power Company's 2006 Deferred Energy Case, January 13, 2006.

Remand Rebuttal for Public Service Company of Oklahoma before the Corporation Commission of the State of Oklahoma, Cause No. PUD 200200038, **Confidential**, March 17, 2006

Answer Testimony on behalf of the Colorado Independent energy Association, AES Corporation and LS Power Associates, LP, Docket No. 05A-543E, April 18, 2006.

Cross-Answer Testimony on behalf of the Colorado Independent energy Association, AES Corporation and LS Power Associates, LP, Docket No. 05A-543E, May 22, 2006.

Rebuttal Testimony Before the Public Utilities Commission of Nevada on behalf of Nevada Power Company's 2006 Deferred Energy Case, Docket No. 06-01016, June 2006.

Direct Testimony Before the Public Utilities Commission of Nevada on behalf of Sierra Pacific Power Company's Deferred Energy Case, December 2006.

Direct Testimony Before the Public Utilities Commission of Nevada on behalf of Sierra Pacific Power Company's Application for Recovery of Costs of Achieving Final Resolution of Claims Associated with Contracts Executed During the Western Energy Crisis, December 2006.

Direct Testimony Before the Public Utilities Commission of Nevada on behalf of Nevada Power Company's Application for Recovery of Costs of Achieving Final Resolution of Claims Associated with Contracts Executed During the Western Energy Crisis, December 2006.

Direct Testimony Before the Public Utilities Commission of the State of Hawaii, on behalf of Hawaiian Electric Company, Inc., Docket No. 2006-0386, December 22, 2006

Direct Testimony Before the Public Utilities Commission of the State of Hawaii, on behalf of Hawaiian Electric Company, Inc., Docket No. 05-0315, December 29, 2006

Rebuttal Testimony Before the Public Utilities Commission of Nevada on behalf of Nevada Power Company's 2007 Deferred Energy Case, January 2007

February 2007

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Mr. Strunk received an MBA with Distinction from INSEAD in Fontainebleau and a BA in Economics with Honors from Vassar College in New York.

Mr. Strunk has extensive experience working on strategic, regulatory, and corporate financial issues in the energy industry. In the US, he has advised utilities on sector restructuring, contract and asset valuation, origination, hedging and risk management, regulatory strategy, prudence, cost of capital, affiliate transactions, and retail market issues. He has been a key member of the NERA team implementing auctions for the provision of default electric service in New Jersey, Illinois and Ohio.

Mr. Strunk has also advised governments, regulators, and energy companies on issues relating to industry structure, regulation, and energy sector reform in Latin America and Europe. He coauthored the white paper outlining structural reform and partial privatization of the Mexican power sector, which was developed for the Mexico's National Congress in 2000. In 2002 and 2003, Mr. Strunk advised the Commission for Energy Regulation in Ireland on the development of a solicitation for the construction of a 400 MW power generation facility and associated offtake contract. He has also advised Mexico's Comisión Federal de Electricidad on the development of its independent power program and, in 1996, was part of the NERA team working on power sector restructuring in Spain.

In addition, Mr. Strunk has been a member of NERA's Securities and Finance Practice. He has filed testimony on the financial structure and capital costs of insurers and has analyzed stock market hedging strategies in the context of broker-dealer disputes.

Mr. Strunk serves as a consulting and testifying expert in regulatory proceedings, commercial litigation, and arbitration proceedings. He has testified before public utilities boards in the US and Canada, and has prepared expert reports and testimony in US federal court proceeding.

EDUCATION

INSEAD—THE EUROPEAN INSTITUTE OF BUSINESS ADMINISTRATION
Fontainebleau, France
MBA, Awarded with Distinction, Dean's List, 1997

VASSAR COLLEGE
Poughkeepsie, New York, USA
B.A., Economics, General and Departmental Honors, 1993

LANGUAGES

English, mother tongue; French, fluent; Spanish, fluent.

PROFESSIONAL EXPERIENCE

1999-present	NATIONAL ECONOMIC RESEARCH ASSOCIATES <u>Senior Consultant</u> Responsible for economic analysis in the area of energy deregulation and finance.
1998-1999	<u>Senior Analyst</u>
1996	<u>Associate Analyst</u>
1994-1995	<u>Research Associate</u>
1993-1994	<u>Research Assistant</u>
1992	GENERALE DE BANQUE <u>Research Assistant</u> . Performed research on monetary policy.

PUBLICATIONS

"FERC Imposes New Constraints on Utility Procurement," *Electricity Journal*, October 2004.

Contributor to World Bank report on regulatory and institutional reforms in the Chinese power sector, 1996.

"Political Economy, Convergence and Growth in Less Developed Countries," *World Development*, December 1993.

EXPERT TESTIMONY

- October 13, 2004. Pre-filed testimony with Cindy Ma. The Cost of Capital for Automobile Insurance Firms. Before the Board of Public Utilities, Newfoundland and Labrador, Canada.
- October 31, 2005. Rebuttal testimony in Ohio Public Utilities Commission Case No. 05-276-EL-AIR. Application of financial options pricing techniques to assess the reasonableness of Dayton's proposed provider-of-last-resort charges.
- November 4, 2005. Testimony in Support of Stipulation filed on in support of Dayton's proposed settlement in Ohio Public Utilities Commission Case No. 05-276-EL-AIR.
- November 8, 2005. Deposition testimony in Ohio Public Utilities Commission Case No. 05-276-EL-AIR.
- November 8, 2005. Oral testimony at hearings in Ohio Public Utilities Commission Case No. 05-276-EL-AIR
- November 14, 2005. Oral testimony at hearings in Ohio Public Utilities Commission Case No. 05-276-EL-AIR
- January 31, 2006. Pre-filed Report with Eugene Meehan. Before the New Brunswick Board of Commissioners of Public Utilities. In the Matter of an application by the NBP Distribution & Customer Service Corporation (Disco) for changes to its Charges, Rates and Tolls.
- March 14, 2006. Oral testimony Board of Commissioners of Public Utilities. In the Matter of an application by the NBP Distribution & Customer Service Corporation (Disco) for changes to its Charges, Rates and Tolls.
- March 29, 2006. Expert Report on behalf of Brookfield Energy Marketing Inc. In re: USGen New England, Inc., Debtor, Case No. 03-30465 before the United States Bankruptcy Court for the District of Maryland. Report addresses breach-of-contract damages associated with the rejection of a long-term power purchase agreement.
- May 5, 2006. Rebuttal Report on behalf of Brookfield Energy Marketing Inc. In re: USGen New England, Inc., Debtor, Case No. 03-30465 before the United States Bankruptcy Court for the District of Maryland.
- May 22, 2006. Deposition testimony on behalf of Brookfield Energy Marketing Inc. In re: USGen New England, Inc., Debtor, Case No. 03-30465 before the United States Bankruptcy Court for the District of Maryland.

ADVISORY PROJECTS

- Advising Commonwealth Edison and Ameren's Illinois utilities on the design of a competitive procurement for short- and long-term power supply. 2004 to present.
- Advising several utilities in the Eastern Interconnection on mark-to-market issues and credit policies. 2004 to present.
- Working with credit representatives of New Jersey distribution utilities on the credit assessment of bidders in the New Jersey BGS auctions. Coordinate the utilities' responses to changes to the forms of letters of credit proposed by bidders. Oversee bidder credit qualification process. Manage approval process for alternate guaranty instruments. 1999 to present.
- Advised the FirstEnergy Companies on the design of a competitive procurement for intermediate term power supply, 2004-2005.
- Advised the Commission for Energy Regulation ("CER") in Ireland on the structure of a long-term hedging agreement and a power plant construction agreement. Assisted with the development of the hedging contract and the tender documentation. Performed bid evaluation, 2003.
- Advised on the development of the Mexican IPP solicitation program, including transaction structure, credit risk management, model contracts and bid evaluation. The Comisión Federal de Electricidad ("CFE") has procured as much as 2000 MW per year of long-term power supply from IPPs, 2000.
- Advised CFE on credit and collateral requirements for an-asset backed power purchase agreement with an IPP based in Mexico. Advised on the development of comparable credit and collateral requirements for an import transaction that was to be made on a firm basis with liquidated damages. 2000.
- Contributed to study assessing competition in restructured electric generation market in Mexico, 1998-1999.
- Designed and conducted a series of three training courses for representatives of Iberdrola S.A., a European power company. The courses consisted of seminars on the deregulated markets for gas and electricity in the United States, followed by a series of interviews with large utilities, IPPs and energy marketers. The courses were designed to provide the European traders with an understanding of best practices employed by energy traders in the United States with respect to risk management (credit, market and operational), 1998.
- Assisted in training senior management of Iberdrola's Brazilian subsidiary C.E.L.P.E. in the area of risk management and energy trading.

- Consultant to Mexican Ministry of Energy on the restructuring and privatization of the Mexican electricity sector, the design of a competitive spot market, and the policy of IPP solicitations, 1998-2000.
- Advised a major west coast utility on the development of its risk management policy and procedures. Reviewed past trading and risk management strategies and performed an assessment of its risk measurement and reporting techniques, including credit risk management policy, 2002.
- Assisted Swiss Re in the development of the modeling for the creation of novel insurance packages to hedge electric price and operations risk, 1999.
- Consultant to Baltimore Gas & Electric Company on restructuring, 1998.
- Participated in the development of a generation and fuel strategy for a large merchant generator and energy trader, 1998.
- Consultant to Iberdrola, S.A., Spain's principal private utility, on issues relating to the restructuring of the electricity sector in Spain, 1996.
- Consultant to a major southeastern electric utility on investment strategy in the US, 1996.
- Performed competitive analysis of electric generation market for utilities in eastern US, 1996.
- Consultant to the New York State Electric and Gas Company on issues relating to the restructuring of the electricity market in New York State, 1996.
- Consultant to senior management of the New York Power Authority on issues relating to the New York Competitive Opportunities Docket, 1995, 1996.
- Consultant to Southern California Edison Company on issues relating to the California Public Utilities Commission's Proposed Policies Governing Restructuring California's Electric Services Industry and Reforming Regulation, 1995.

CONSULTING EXPERT EXPERIENCE

- Performed economic and accounting analysis of fuel hedging options for an electric utility whose generation portfolio is predominantly oil-fired, 2006-2007.
- Performed valuation, economic, accounting and hedging analysis of a gas-fired power plant in an international arbitration matter, 2003.

- Contributed to testimony on behalf of an electric utility regarding the prudence of forward power purchases during the 2000-2001 Western power crisis, 2002.
- Contributed to testimony before FERC relating to the value of a long-term affiliate power sales agreement. Analyzed and valued over 100 long-term power contracts in the context of this benchmarking analysis, 2001-2002.
- Contributed to testimony on behalf of a leading U.S. energy company regarding the valuation of a passive equity interest in an IPP project in El Salvador, 2001.
- Contributed to testimony submitted to the Public Service Commission of Maryland on the business separation of Constellation Energy Group, 2001.
- Contributed to testimony on behalf of an energy marketing and trading firm regarding electric and gas hedging strategies for its generation assets. Examined nature of competition among energy marketing and trading firms and strategies. 2002.
- Contributed to testimony on behalf of a large electric utility regarding an affiliate transaction that resulted from a competitive solicitation. Testimony before FERC focused on whether the affiliate was advantaged during the bid process. 2003 – 2004.
- Performed HHI analyses to support testimony presenting a competitive assessment of the Western electric generation market, 1995-1996.
- Performed valuation of Baltimore Gas & Electric Company's generation assets in the context of stranded cost calculations during restructuring. 1998.

SELECTED SECURITIES PROJECTS

- Prepared default risk studies on fixed income instruments for counsel to Goldman Sachs in a broker/dealer arbitration, 1994.
- Estimated losses and alleged damages for several mutual funds that invested in derivative securities, 1994-95.
- Assessed materiality and damages in 10b-5 class action against a major pharmaceutical company, 1993.
- Consultant to counsel to an infomercial company on materiality, liability and damages in a shareholder class action suit, 1994.

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Tom Winger joined NERA as an Intern in 2002, and is currently a Consultant in the Energy Practice. Tom has experience performing energy contract analysis, prudence reviews, statistical analysis of generation asset revenues, benchmarking studies, and auction design/administration in the energy sector. He has been a part of the auction management team for the New Jersey BGS auctions, the recent Illinois auction for ComEd and Ameren, and the Pennsylvania Power RFP, among others.

Prior to his work with NERA, Mr. Winger studied economics and English at Dartmouth College in Hanover, NH. His work focused on financial analysis and game theory.

EDUCATION

DARTMOUTH COLLEGE
B.A. in Economics and English (minor) - 2003

PROFESSIONAL EXPERIENCE

- NERA Economic Consulting, Inc.**
- 2007-present *Consultant – Energy practice*
Perform analysis and provide consulting services for issues regarding competitive procurement processes, contract analysis, and prudence reviews.
- 2006-2007 *Senior Analyst – Energy practice*
- 2005-2006 *Analyst – Energy practice*
- 2004-2005 *Associate Analyst – Energy practice*

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- 2003-2004 *Research Associate – Energy & Securities Practices*
Member of both Energy team and Securities & Finance team
Member of credit evaluation team for multiple competitive bidding process teams
- 2002-2003 *Summer Intern – Energy Practice*

SELECTED WORK EXPERIENCE

- Part of the Auction Manager Team for the past three New Jersey BGS Auctions, advising the four New Jersey utilities (PSE&G, JCP&L, ACE, RECO) on the auction and associated regulatory proceedings and testimony.
- Part of the Auction Manager Team for the first Illinois Auction for Commonwealth Edison and Ameren, assisting in auction administration as well as associated regulatory proceedings and testimony.
- Part of the Auction Manager Team for the past two Competitive Procurement Processes for FirstEnergy in Ohio.
- Part of the Auction Manager Team for Pennsylvania Power's recent RFP for Provider of Last Resort load.
- Expert witness support for testimony regarding power contract disputes, benchmarking analysis, prudence reviews.
- Statistical modeling of generation asset revenues using Stata and Microsoft Excel.